



Fact Sheet:

Health Insurance Portability and Accountability Act (HIPAA)



What Is HIPAA?

The Health Insurance Portability and Accountability Act (HIPAA) was signed into federal law in 1996 (PL 104-191). The primary intent and purpose of this law was to protect health insurance coverage for workers and their families when they change or lose their jobs. It was recognized that this new protection would impose additional administrative burdens on health care providers, payers, and clearinghouses, and therefore, the law includes a section called Administrative Simplification.

The Administrative Simplification portion of the law is specifically designed to reduce the administrative burden associated with the transfer of health information between organizations, and more generally to increase the efficiency and cost effectiveness of the United States health care system. The approach is to accelerate the move from certain paper-based administrative and financial transactions to electronic transactions through the establishment of nationwide standards for transmitting and receiving health care information.

What Are the Standards?

The Federal Department of Health and Human Services (HHS) is developing the standards. The proposed standards involve the following:

1. **Transactions:** Claims and Encounters; Enrollment; Claim Status Inquiry and Response; Eligibility; Payment/Remittance Advice; Referral Certification; Coordination of Benefits; Premium Payment
2. **Code Sets:** Diseases; Injuries; Impairments; Procedures
3. **Privacy and Confidentiality:** Protected Health Information or PHI; Covered Information; Covered Entities; Disclosures
4. **Unique Identifiers:** Provider; Employer; Health Plan; Individual
5. **Security and Electronic Signature:** Administrative Procedures; Physical Safeguards; Technical Security Services; Technical Security Mechanisms
6. **Enforcement:** Directly enforcing HIPAA's requirements and penalties
7. **Claim Attachments:** Purchase documents, death certificates, birth certificates, information on the client and part of the client's chart that back-up the claim
8. **First Report of Injury:** Workers compensation claim

What Is the Impact on ADP?

Nationwide, it is acknowledged that HIPAA will fundamentally change how health care is provided, managed, and paid for in the United States. The Department of Alcohol and Drug Programs (ADP) is a covered entity and is currently planning

implementation of HIPAA for Drug Medi-Cal and other business processes related to it. The HIPAA Office of ADP is located in the Program Operations Division. An Enterprise Project Plan is in place that will guide HIPAA staff in analyzing, making recommendations for change and developing HIPAA compliant business processes with appropriate ADP business units.

Below are some of the areas that are anticipated to need significant changes in order for ADP to achieve HIPAA compliance:

- Administrative Support (Accounting, Contracts)
- Fiscal Management (Cost Reports)
- Compliance Protocols
- Fiscal Audits
- Data Collection
- Program Policy and Procedures & Regulations
- Technical Assistance to Local Alcohol and Other Drug (AOD) Agencies
- Drug Medi-Cal Claims Processing System

When Do We Have to Comply with HIPAA Standards?

The standards will be adopted as required over several years. The first set of standards to be adopted in regulation are the Transaction and Code Set standards published in October 2000. In general, the standards must be implemented within 2 years of the effective date of the final regulation's publish date. However, ADP requested and received an extension from the original implementation date of October 16, 2002 to October 16, 2003 as did most covered entities as allowed by an amendment to the law made by Congress. The second rule to be published was the

Privacy Rule, the deadline for compliance for which is April 14, 2003.

Who Must Comply with HIPAA?

All health care providers that use and transmit health information electronically are considered "covered entities" by HIPAA. A health care provider is any person or organization who furnishes, bills, or is paid for health care in the normal course of business. "Health care" means the provision of care, services, or supplies to a patient, and includes treatment provided in the course of research.

Covered entities can be employers, health plans, government agencies, doctors, hospitals, or any entity that uses health care information electronically.

ADP must comply because it must maintain its ability to interact with its business partners and associates, such as the Department of Health Services and county governments. In addition, noncompliance can result in fines or penalties yet to be determined.

For more information contact:

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